

OFFICE OF FINANCIAL INSTITUTIONS

OFI BULLETIN

BL-02-2002
November 12, 2002

TO: THE BOARD OF DIRECTORS & AUDIT COMMITTEE

SUBJECT: 2002 DIRECTORS' EXAMINATION REQUIREMENTS

Please see that this e-mail message gets to the Chairman of the Board of Directors and Chairman of the Audit Committee of this financial institution.

The 2002 Directors' Examination Report (DE Report) for your institution must be conducted and submitted under the provisions of the March 20, 2002, revised Directors' Examination Rule (Rule). A copy of the Rule, as well as the cover sheet that must be submitted with your DE Report, is attached to assist you in meeting the requirements. Under the revised Rule, all state-chartered financial institutions that have a December 31 year-end must file a DE Report **on or before April 30, 2003**. Institutions with a year-end date other than December 31 must submit the DE Report **within one hundred twenty days** from the end of the period covered by the audited financial statements.

The Rule allows Audit Committees to secure one of the following four external audit options in fulfilling the Directors' Examination requirements: an opinion audit, a "balance sheet only" audit, an attestation report on the internal controls over financial reporting, or a selected procedures engagement. Listed below are the reporting requirements for each type of external audit option selected.

I. AN OPINION AUDIT performed by an independent CPA:

A. "Stand Alone" Financial Institutions (Institutions with no parent companies)

Institutions that obtain opinion audits on an "**institution only**" basis from independent CPAs must submit the following information:

1. The attached cover sheet identifying the name and address of the institution as well as the period covered,
2. A complete copy of the audited financial statements (including all footnotes),
3. A copy of any management or comment letters issued by the CPAs, and
4. The institution's response to the management letter.

B. Financial Institution Subsidiaries of Holding Companies.

Holding companies that obtain **opinion audits** from independent CPA's on a **"consolidated" basis** must submit the following, provided the audit meets the subsidiary audit coverage criteria in Section (I) of the Rule:

1. The attached cover sheet identifying the name and address of the institution, as well as the period covered,
2. A complete copy of the audited consolidated financial statements (including all footnotes),
3. An "institution-only" balance sheet for each subsidiary institution that must submit a DE Report,
4. An "institution-only" income statement for each subsidiary institution that must submit a DE Report,

Note: Institutions may satisfy #3 and #4 by submitting (1) "institution-only" balance sheet and income statements prepared by the institution or CPA, (2) audited financial statements that include "institution-only" balance sheet and income statements in the footnotes to the consolidated financial statements, prepared by the CPA, or (3) consolidating worksheets breaking out all entities in the consolidated group before eliminating entries, prepared by the CPA.

5. A copy of any management or comment letters issued by the CPA, and
6. The institution's response to the portions of the management letter that pertain to the institution required to submit a DE Report.

II. "Balance Sheet Only" Audits and "Attestation on Internal Controls over Financial Reporting Engagements"

Institutions that obtain either a "Balance Sheet Only" opinion audit or an "Attestation on the Internal Controls over Financial Reporting" report from an independent CPA must submit the following within the filing deadlines stated above:

1. The attached cover sheet identifying the name and address of the institution, as well as the period covered,
2. A complete copy of the audited balance sheet (including all footnotes) or the attestation report issued in connection with the examination of internal controls over financial reporting,
3. A copy of any management or comment letters issued by the CPA, and
4. The institution's response to the management letter.

III. “Selected Procedures Report”

Audit committees that secure audit programs less in scope than the options shown above should contact our staff CPA, Mrs. Dale Jacobs, at (225) 922-0632, to obtain the seven-page forms and instructions for completing the selected audit procedures required under the revised Rule.

The above information will also be posted on OFI’s website www.ofi.state.la.us. If you have any questions, please e-mail our Staff CPA, Mrs. Dale Jacobs, djacobs@ofi.state.la.us, or call her at (225) 922-0632.

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attachments